

A New Direction

Charting Alaska's Future

The Murkowski Administration Plan For The State 2004-2006

Serving Alaskans as governor is an honor and a privilege that I cherish. It is also a serious responsibility – a responsibility to make a positive difference for the future of each and every Alaskan for the collective future of our great State. What I have seen this past year has renewed an important truth for me: that Alaska's richest resource is our people. The energy, the enthusiasm, the "North to the Future" spirit of Alaskans sustains me. For the First Lady and me, service to our fellow Alaskans has always been at the root of our desire to be a part of the political process. As your governor, I have tried each and every day to make a positive difference in Alaskans' lives.

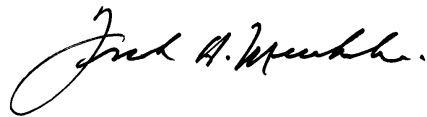


My administration has been working hard to make government accountable for what Alaskans want and for what Alaska needs. We are doing what we believe is right for the State and right for Alaskans.

As we do so, I realize that Alaskans want unity. Alaskans want non-partisanship. Alaskans want progress. Alaskans want to move forward with common sense solutions

to the challenges we all face. And Alaskans want to know that government is working to improve the quality of their lives.

In this publication, I have laid out some of my administration's accomplishments over the past year, and I have set down my administration's goals for the next two years. It is my hope that each and every Alaskan will take an active role in government by continuing to tell us what they think and by giving us feedback along the way. I hope you will take part in the political process and in public service at every level. Individuals, families, community organizations, churches, villages, towns, and cities – we all make a difference in charting the future of our great land by working together. Together we must take responsibility today for Alaska's tomorrow.

A handwritten signature in black ink, reading "Frank H. Murkowski". The signature is written in a cursive, flowing style with a large initial "F" and a long, sweeping underline.

Frank H. Murkowski
Governor

North to the Future: The Alaskan Dream

Alaska's "North to the Future" promise is still bright. With hard work, dedication, and talent there is opportunity for each Alaskan. That's why my administration has put such an emphasis on developing a sound economy, reducing the rate of government growth and government spending, and fostering an economic environment that will create business opportunities for Alaskans, while protecting our environment.

Natural Resource Wealth: The Long-term Solution

My plan for Alaska's future depends upon development of our State's natural resource wealth as the long-term foundation for economic stability. Resource development fulfills the promise of statehood. When the United States Congress granted and entitled the State to select over 100 million acres of Alaska's total of 365 million acres of land, they expected that the land would provide a source of revenue for our future. One hundred million acres is the size of the State of California, or the states of Washington and Oregon combined.

The land was an important element in our Statehood Compact with the United States and with each other as Alaskans. It was granted in specific recognition that our small and widely dispersed population would be unable to fund public programs by taxing itself.



Governor Walter Hickel calls this statehood land our "commons," and we look to the productivity of this land to provide for our common needs. My State plan fulfills Alaska's responsibility to develop a portion of its commons for the good of all our citizens. And most importantly it calls upon the self-reliant, frontier spirit, and "North to the Future" attitude of Alaska's people.

The plan does not, and cannot, count upon the continuing largesse of government. Government spending should not be the foundation of our State's economy – it should enable our economy to grow. The investment to develop our common resources must come from the private sector. The government's job is to help make Alaska an attractive place for the private sector to invest. Our State must welcome private investment in Alaska's commons, but we must recognize that it

takes time for such investments to benefit the State. Development at Prudhoe Bay took 10 years after oil was discovered. It will be the same with new developments like the natural gas pipeline, National Petroleum Reserve-Alaska and oil and gas from the Alaska Peninsula. The State will gain great economic lift from these activities by the end of this decade.

Involving the Faith and Volunteer Communities

With much attention given to the value of our resource industries, we cannot forget that our greatest resource is Alaska's people. Lieutenant Governor Loren Leman has spearheaded Alaska's Faith-Based and Community Initiatives project. The Task Force he appointed is examining the unique needs of our communities, identifying gaps in services provided, and recommending ways those gaps can be filled and services improved. Alaska is a bright star in the Faith-Based movement nationwide.



Economic development

Mining

Alaska has already seen development of world-class deposits at the Red Dog, Greens Creek, and Fort Knox mines. And there are more mines on the horizon. The Pogo Gold Mine, near Delta Junction, will start camp construction in 2004. The Kensington Gold Mine, near Juneau, is in the final stages of environmental review necessary for final permitting.

By working to develop infrastructure (roads, etc.) and affordable power we can encourage development of the Donlin Creek Gold Mine in Western Alaska and the Rock Creek Gold Mine near Nome.

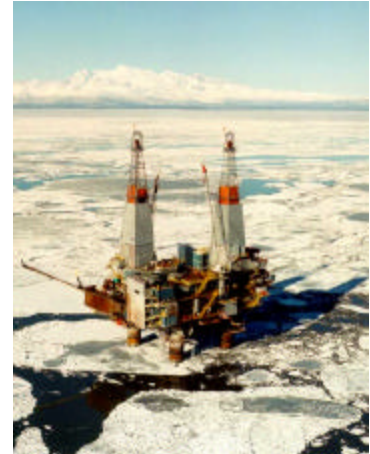
Each mine provides high-paying jobs, which causes a multiplier effect in the local economy and the State. These jobs result in strong communities and provide a tax base for those communities. More importantly, when combined with the State's strong local hire program, the jobs go to Alaskans – including our young people.

Alaska Peninsula

Oil and gas fuel our State economy, providing about 80 percent of state-generated revenue. We are offering incentives to make maturing oil fields economic again, and seeking new fields and

new markets. Other States as well as Canada have seen increased exploration in recent years. Exploration for new sources of oil and gas lagged in Alaska because we did not go after it. We are going after it now.

We are preparing to offer leases for onshore oil and gas exploration on the Alaska Peninsula. The planning process was initiated by the Bristol Bay Native Corporation, The Aleut Corporation, the Lake and Peninsula Borough, the Aleutians East Borough, and the Bristol Bay Borough. The State welcomed their lead, and is doing everything possible to help facilitate development of the region in a manner that protects our rich Bristol Bay fishery and creates jobs for the people who live in the region. The State is already helping to train local Alaskans for those jobs at the SAVEC vocational education facility in King Salmon.



In addition to the potential for Cook Inlet commercial scale oil and gas development, The Alaska Peninsula offers the potential for a clean source of local energy. By generating power with local supplies of natural gas instead of expensive, imported diesel fuel, we will lower the cost of energy in Western Alaska. Cheaper energy will lower the costs for cold storage and ice and make the area's fisheries more competitive. We are also working to develop a road system to support these developments that will link Alaska Peninsula communities to each other and to a shared deepwater port.

Gasline

It's time for our dream of a natural gas pipeline to become a reality. Development of a pipeline to get Alaska's gas to market is one of my Administration's highest priorities. A gasline would develop our resources, create jobs for Alaskans and generate revenues for the State. It would supply the nation with environment-friendly energy. We re-inject enough natural gas every day on the North Slope to supply all of the present demand in California and that is only a fraction of our supply.

Natural gas is fast becoming the chosen fuel for efficiency and low environmental impact. In 2003, with the help of the Legislature, we made exploration for natural gas more attractive in Alaska. We provided tax credit, royalty reductions and exploration incentives to get wells drilled

and gas flowing. We lobbied for incentives to be included in the national Energy Bill. Our Congressional delegation continues to “go above and beyond” in assuring that Alaska’s interests are included in the final version of this bill that could help speed permitting and improve the economics of pipeline construction. The draft bill also provides \$50 million per year for energy development in Alaska.

But my administration has not waited for the federal Energy Bill to seek commitments from the producers and operators. Eighteen companies came to Juneau in December 2003, to accept my challenge to find a way to encourage oil and gas development. My trade mission to Asia in November 2003, included promising discussions about building the gasline. I also met with the premiers of British Columbia, the Yukon Territory, and Alberta to seek a mutual commitment to move the gas from the North Slope to North American market.

Our Alaska gas will flow to market and it will benefit Alaskans in many ways. We will make sure that gas is delivered to the people of Fairbanks, Anchorage, Kenai, the Matanuska-Susitna Valley and Valdez, where it can heat homes, schools and businesses, provide feedstock for petrochemical industries and create new jobs.



Timber

My administration is committed to rebuilding the timber industry in Alaska. The U.S. Forest Service has taken an important first step and agreed to offer 10-year timber sales as a means to finance new mills in Southeast. We have intervened in a lawsuit against the first of these sales. This strategy is critical. It is

impossible to raise capital without an assured supply of timber.

We prevailed in our assertion that no new roadless areas will be designated in the national forests in Alaska. This will open for harvest the areas that the Forest Service decided, after more than a decade of public participation in the 1997 Tongass Land Management Plan, should be available for logging.

We will support the planned veneer mill in Ketchikan so there is a market for low grade logs. We are seeking a land exchange with the Bush Administration for a 1.7-million acre State forest in Southeast Alaska. We will develop timber sales in the Interior to provide jobs and much-needed economic diversification.



Fishing

We must have a comprehensive fishing plan for Alaska and my administration has focused first on the needs of Alaska's fishermen. We have provided individual grants from federal disaster money. We also awarded more than \$13 million in matching economic development grants to Alaskans—monies made available by our Congressional delegation to fund innovative projects that promote the marketing of Alaska's pink and chum salmon. And we are using the remaining funds to promote the health benefits of our pink and chum salmon under a wild Alaska label.

We have worked hand-in-hand with both harvesters and processors to position the seafood industry into the 21st Century as a viable industry. As a result of our trade mission to Asia, an Alaskan company is now selling salmon jerky to more than 3,000 convenience stores in Taiwan.

Plans call for repeating our successful Community Development Quota program in the Bering Sea with community quota entities on halibut and black cod within the Gulf of Alaska. This program empowers and enriches communities, while keeping jobs and money from fish product sales at home here in Alaska.

International Trade

My Asia trade mission also provided a multitude of opportunities for economic development. I laid important groundwork for marketing our fish, coal, and other resources in Asia. The President of Taiwan encouraged this optimism with his own visit to Alaska last fall. Alaska's sales to foreign countries have continued an upward trend. In the third quarter of



2003 sales increased \$106 million, to \$2.2 billion, up five percent over the same period the previous year. Exports of seafood products and precious metals account for the majority of the increase and, according to the Department of Community and Economic Development's Division of Trade and Development, these positive trade numbers are bringing new revenues to our State, creating jobs, and expanding our economy. According to the U.S. Department of Commerce, every \$1 billion of exports creates 25,000 jobs in the local economy. Using those figures, international export growth in the first nine months of 2003 helped contribute to creation of more than 2,500 new jobs for Alaskans.

Tourism

Tourism is also an integral part of my Administration's priorities. Tourism in Coastal Alaska is



doing well, but we are also working to increase tourism around the State by showcasing some of our less known, but equally beautiful visitor destinations. My administration supports growth in tourism through development of our ferries, roads, and other infrastructure. The State continues to support tourism marketing and is working to develop methods for more cost-

effective and efficient marketing of our State as an international, world-class visitor destination.

Strengthening Our Infrastructure

Transportation is a major part of my administration's "Access to the Future" initiative. Roads, ports, airports and ferries are vital to rural development and quality of life. My administration is committed to building roads and bridges and strengthening Alaska's ports. Roads mean jobs; roads mean better, safer communities; roads mean access to goods and services not now available to many communities. The Department of Transportation and Public Facilities is working closely with other state departments to make sure rural infrastructure projects move forward in a timely manner consistent with local wants and desires. In addition, the State's Industrial Roads Program, also known as "Roads to Resources," includes the Glacier Creek Road in Nome and the Crooked Creek Road from the Kuskokwim River to Donlin Creek Mineral exploration area. We are working to build community access roads to link villages and towns and haul roads to access oil, gas, and mining developments.

Community Roads

Though the Department of Transportation, the State is working to build roads that connect remote villages. We are currently working on projects such as the Nelson Island Road, which will connect the villages of Nightmute, Tununak and Toksook Bay on Nelson Island; the Chignik Connector Road, which will connect the villages of Chignik, Chignik Lake and Chignik Lagoon on the Alaska Peninsula; and other road projects in remote communities around the State.

Nuiqsut Road

The planned Nuiqsut Road will be an industrial haul road that will provide year round access to the Brooks Range Foothills and provide a staging area for further exploration of National Petroleum Reserve-Alaska that will help speed up oil and gas development. This road alone can reduce the cost of a barrel of Alaska oil.



Knik Arm Crossing

The Knik Arm Crossing in western Cook Inlet will bring major economic change for Anchorage. Ships and barges that bring goods into the Port of Anchorage will be able to sail back home carrying natural resources hauled across the Knik Arm Crossing. Access to Point McKenzie will create jobs and provide tremendous economic growth opportunities for Anchorage and the Matanuska-Susitna Borough. In short, it will provide space for Anchorage to grow, and with it, the economy of the entire state.

Juneau Access and Gravina Island Crossing

A road to Juneau will make the capital city more accessible to the rest of Alaska. This project is in the final stages of environmental study. A Gravina Island crossing -- a project also undergoing necessary State and federal environmental impact review -- will provide Ketchikan residents with access to their airport and open new land to development.

Bradfield Canal Road

My administration also is working to build a road up the Bradfield Canal – a project that will provide Central Southeast Alaska with highway access to the continental road system, and will

directly benefit Alaska fisherman by helping get their product to market.

[Airport Development](#)

My administration is promoting the Fairbanks International Airport as a major center for international cargo flights. I discussed this goal during my trade mission to Asia, and I will be working with our friends there to make it happen. We continue to support the expansion and development of the Ted Stevens International Airport in Anchorage, as well as numerous airport upgrade projects throughout the State.

When my administration took office, rural airports were neglected, thus depriving communities of the benefit of travelling on larger, and safer, planes. We are working to change that picture and will continue to work on rural airport development initiatives in the next two years.

Airport improvements underway already include the new Russian Mission airport and a new airport at Tetlin. Both the Dillingham and Iliamna airports were paved and Tooksook's new airport was completed during the summer of 2003. The Hyder Seaplane base was reconstructed and a grant to improve the Yakutat runway was recently awarded. The Department of Transportation & Public Facilities and the Federal Aviation Administration developed construction plans to provide communities dependent upon air medevacs with airports that are accessible 24 hours a day. This 10-year, \$250 million plan will improve 63 airports.

Access to the Interior, the Aleutian Chain, and much of our spectacular scenery, however, still remains a key challenge. My administration is pushing the federal government for access to the Kennicott/McCarthy area, Wrangell St. Elias National Park, and Denali National Park. We have fought and will continue to fight for road access to isolated communities such as King Cove. We will fight to have old timber roads recognized and re-opened for the benefit of local residents, tourism and timber industries.

[Alaska Marine Highway](#)

I am committed to schedule the Alaska Marine Highway ferries to meet the needs of our customers. The First Lady recently christened the first of Alaska's new generation of fast ferries. The Fairweather is an aluminum twin-hulled vessel designed for high speed and low wake. Starting in May 2004, carrying 250 passengers and 35 vehicles, it will serve Juneau, Sitka and

Upper Lynn Canal. The Chenega will enter service in the spring of 2005 and will go to Cordova, Valdez, and Whittier. Improvements to Marine Highway terminals also are planned.

Denali Commission

Senator Ted Stevens created the Denali Commission to help direct federal funds for infrastructure needs in rural Alaska. It was created to improve collaboration between the State and Federal agencies. Lieutenant Governor Loren Leman is the State Co-Chairman and provides my administration's priorities for projects funded by the Denali Commission. Whether it is a project like the Nulavene Subregional Clinic--serving the villages of Igiugig, Iliamna, Kokhanok, Newhalen, Port Alsworth, Nondalton, and Pedro Bay or an amalgamated energy project like the one at Selawik, which provided a new power plant with new line distribution, fueled from new bulk fuel tanks and wind turbines, using waste heat, we are working together to bring needed jobs, health care facilities and energy projects to rural Alaska.



Development Leads to Jobs

My administration wants Alaskans to be ready to go to work when the work is ready to go. Alaskan enterprise created 3,400 new jobs in 2003 – 500 in the construction industry alone. Construction jobs pay an average of more than \$50,000 per year. We expect similar job growth in each of the next three years.

I have stepped up efforts to be more certain that the new jobs go to Alaskans. It is called "Alaska Hire." The administration's goal is 90 percent Alaska Hire – every industry – everywhere. I have called upon Alaska employers to do a better job of hiring Alaskans. While federal law does not allow the State to require employers to hire locally, I intend to be relentless in calling on employers for a voluntary increase in the number of Alaskans hired. This policy is good for our children, our workers, and our unions. It's good for business; it's good for Alaska.

Smaller, Smarter Government

When this administration took office government was spending more money than it had – there was a cumulative deficit of more than five billion dollars for the past twelve years. Even with the trimming of \$250 million in spending with the Legislature's Five-Year Plan, our State savings account was dwindling fast. My administration has worked hard to control spending, make

government smaller and more effective, and stabilize revenues. We have reduced the size of government growth and have achieved significant spending reductions. My administration's Fiscal Year 2005 budget was built on the principle set out early in my administration: taking responsibility today for Alaska's tomorrow.

Missions and Measures

In 2003 every agency of State government engaged in an internal review, under the direction of Office and Management and Budget Director Cheryl Frasca. The OMB program expanded on the "Missions and Measures" initiative begun by the Legislature. This was the first time in 27 years that such a comprehensive review of State government had been completed. Each department reviewed its core purposes and the administration's policies, and its effectiveness in achieving them. The process holds managers accountable for getting results. It reports to Alaskans the return they get for public dollars invested in State programs. It helps identify ineffective programs where spending might be decreased; successful programs may merit increased spending.



Our Budget: Stop Spending Beyond Our Means

My administration will not let Alaska continue to spend beyond its means. We made the commitment to reduce State spending and limit the amount of money we use from the State's Constitutional Budget Reserve to prop up annual spending. We also have set the goal of maintaining at least \$1 billion in

the Constitutional Budget Reserve, to protect against a drop in oil prices and to protect the State's cash flow. Limiting the growth of government and reducing State spending to the levels we have set out will extend the State's reserve account well into 2008. But it will hit a \$1 billion balance in July 2006.

Five-Part Fiscal Plan

My fiscal plan is based on sound principles. I have outlined for the Legislature a five-part fiscal plan to: promote development; reduce the cost of State government; expect those who receive a direct benefit of State services to pay a fair share through modest fees and taxes that do not

interfere with personal savings and investment; and to encourage local responsibility for local needs. The fifth element of my plan calls on Alaskans and the Legislature to consider if the time has come to use a portion of the Permanent Fund's income to support essential services.

Bringing Leaders Together

I have called for a gathering of Alaska leaders who have thought long and hard about the role of the Permanent Fund in Alaska's future, and am asking their advice at this critical time in the State's financial history. I look forward to receiving the recommendations of this group and will look to them to develop recommendations that I will present to the Legislature for consideration during 2004.

Education

I believe our success in the field of education will touch every Alaskan. Funding for kindergarten through 12th grade public education along with funding for the University of Alaska system represents 45 percent of the State-funded operating budget. Our commitment to education has required cuts in other State departments. I have again maintained funding for the K-12 Foundation



Formula at the level required by law and proposed a funding increase for the University of Alaska.

Education Commissioner Roger Sampson is evaluating our educational program and recommending improvements. The Department of Education and Early Development has exciting new ideas and our plans begin with a student assessment focused on achievement and personal development. It strikes a new and fair balance of responsibility between schools and the State, and students and their parents.

A key challenge in Alaska is the education and welfare of our rural students. Among the steps we are taking to strengthen rural schools is providing better teacher housing through grants from the Alaska Housing Finance Corporation.

For those parents who want their children to attend a regional learning center, at my request the Legislature has approved funding this year to double the capacity at Mt. Edgecumbe School in Sitka. This will be good news to families on the waiting list.



Health and Social Services

My administration is working with communities throughout Alaska on important health and welfare initiatives making a difference in the lives of people throughout the State. These initiatives range from programs to reduce the rate of teen smoking to dramatic improvements in our child protection services.

Health and Social Services Commissioner Joel Gilbertson has organized his department around three guiding principles: self sufficiency for Alaskans, a strong safety net for those who cannot provide for themselves, and local access to care. Following these principles, we have combined our programs for mental health and substance abuse to improve service and lower costs.

Office of Children's Services

We have implemented a new and better program to protect children in State custody. We have begun the important job of bringing children in need of very specialized behavioral health services back home to Alaska. As part of this administration's efforts to improve the health of our communities, the Department of Health and Social Services established a new Office of Children's Services. The new office brings together all the child protection services formerly spread throughout the Department, including child protection, foster care and adoption services; child health programs such as the WIC Program; Healthy Families; and the Infant Learning Program. The reorganization, as well as other improvements in service delivery, won federal approval and has proven to provide better and more efficient services.

Senior Services

Commissioner Gilbertson has traveled the State listening to citizens and assessing the need for public assistance, paying special attention to the adequacy of the state's safety net for seniors. My administration launched a new program called "SeniorCare," which builds on the financial

assistance program implemented last year for low-income seniors and expands eligibility for assistance to a broader group of seniors (from 135 percent to 150 percent of the poverty level).

“SeniorCare” also will provide qualified seniors with a prescription drug benefit to help them pay for the medicines they need. The program also provides a new Senior Information Office, and a Preferred Drug List to make prescription drugs more affordable. Seniors enrolled in the Alaska Senior Assistance Program can choose to continue receiving the cash assistance of \$120 a month instead of the drug coverage. “SeniorCare” provides a bridge for those seniors most in need of assistance until the full Medicare prescription drug benefit begins in January 2006. I have asked legislators to pass this legislation in January so that this benefit can begin in April 2004. “SeniorCare” will help low income seniors who do not otherwise qualify for public assistance – the people with the greatest need. However, it also provides a broader program that will help all seniors through a one-stop senior resource and referral service, help with prescription drugs and access to health care, and work to lower the cost of prescription drugs

In addition we will continue to support improvements to the state Pioneer Home system.

Reducing the Rate of Smoking

Through rigorous and relentless enforcement, we have reduced sales of cigarettes to minors by 30 percent. To maintain this positive trend I have asked the Legislature for the leadership to double the tax on cigarettes, which takes the smoking habit farther out of reach.

Public Safety

Throughout schools and communities, substance abuse destroys families and young lives. I have directed Commissioner Bill Tandeske of the Department of Public Safety to work to maintain dry communities and to confiscate drugs going into rural Alaska. My administration is committed to improving public safety throughout the State.

Alaska State Troopers

We need more troopers in rural Alaska. I have directed Commissioner Bill Tandeske to provide for 20 new troopers in the FY05 budget. Many of them, which include regional Public Safety advisors, will be posted in rural Alaska where they can provide essential support to Village Public Safety Officers. The Department may also deploy Regional Public Safety Officers to

provide villages with academy trained, armed police officers. More officers will allow us to reduce the bootlegging of alcohol and importation of illegal drugs.



AMBER Alert Program

In 2003 Alaska joined 46 other states in initiating an AMBER Alert Program to alert communities in the event of a child abduction. This program is the result of cooperation by local law enforcement around the State with the Alaska State Troopers, the Alaska Division of Emergency Services, the Department of Transportation, and statewide broadcasters.

From Villages to Courthouse

Our public safety improvements extend from the villages to the courthouses. We propose adding prosecutors to bring accused criminals to trial. We added social workers to assist victims of domestic violence and additional attorneys to handle Children in Need of State Aid cases. We will be tough on crime and compassionate to those who are harmed.

Environmental protection

Alaska is blessed with healthy air, land and water. We must keep it that way. We will be good stewards of Alaska's resources for current and future generations. The Department of Environmental Conservation, under the direction of Commissioner Ernesta Ballard, has proposed strengthening Alaska's water quality protection programs. Our plans make Alaskans responsible for the permitting and enforcement that are now done by the federal Environmental Protection Agency. For the oversight and review required by national environmental laws we have asked President Bush to establish a Region 11 for EPA to move these important functions out of Seattle and to Alaska. And the Department of Fish and Game, under the direction of Commissioner Kevin Duffy, have set a strong direction for the protection of Alaska's fish and game resources.

A Bright Future

The purpose of all of my administration's priorities and initiatives for Alaska is to improve life for our citizens -- to make Alaska a better place for people to live. I welcome all Alaskans to join the effort. Our shared future is bright. The frontiers are open. I look forward to working with each and every Alaskan to make that bright future a reality.